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Bush, Iran-Contra Probers at Odds Over Final In

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Independent counsel Lawrence E. Walsh may have to close down his 6½-year inquiry into the Iran-contra affair without questioning former president George Bush about withholding from investigators his secret diary about the scandal.

Walsh's office was engaged in backstage negotiations over the conditions sought by Bush's attorneys for any questioning, but these have apparently ended in an impasse.

Unless a voluntary agreement is reached, Walsh's only alternative would be to obtain a secret grand jury subpoena, but that could be challenged in the courts and lead to still more delays in winding up the investigation.

"It would be subterranean litigation," one source said, noting that all grand jury proceedings, and challenges to them, are conducted in secret. This source said a Bush subpoena could easily be contested on the grounds that Walsh is no longer investigating any crimes, but simply trying to collect information for his final report, now expected to be completed in mid-June.

Bush's lawyers were unwilling to permit as wide-ranging an interview as Walsh and his prosecutors wanted. They last questioned Bush at a deposition in January 1988 when he was still vice president. Walsh

originally intended to depose Bush for a second and final time last summer at the same time he questioned former president Ronald Reagan.

The session with Bush was postponed because, sources said, the independent counsel feared he would be accused of trying to interfere in the 1992 presidential election campaign.

Additional reasons for questioning Bush arose last December when the White House disclosed that Bush began keeping a diary in the fall of 1986, a time when the scandal over arms-for-hostages deals with Iran and covert support for the contra rebels in Nicaragua first unfolded.

One of Bush's lawyers, Wick Sollers, said yesterday that they wanted an agreement from Walsh's office on the scope of the questioning, the length of the deposition and the location. The first report of the impasse was in the Boston Globe.

Sollers said it was plain at their last meeting with Walsh's top deputy, Craig Gillen, that "there was not going to be any agreement on limitations. There weren't going to be any conditions placed on the interview." In addition, he said Walsh was insisting that the deposition take place at Walsh's office in Washington.

Walsh refused to comment, but sources said agreement could easily be reached on conducting the session in Houston and limiting it to a day.

In holding off until after the election, sources said,

Walsh expected Bush to cooperate out conditions and without forcing a subpoena.

From his perspective, however, Walsh faced the prospect of being called to testify in a forthcoming criminal trial of former CIA director Caspar W. Weinberger, who himself was accused of withholding his personal notes from investigators. The Bush diary, which is still secret, were likely to be brought out.

Bush pardoned Weinberger and others involved in the scandal last Christmas. Walsh's sharp denunciation by Walsh and Bush's withholding of his diary, which is still secret, "misconduct."

Sollers said yesterday that Bush's lawyers with prosecutors in providing documents without a subpoena "diary issue" without invoking any other legal issue. He said the last batch of records, from the library holdings in College Station, Texas, to Walsh's office within the last week.

Walsh's prosecutors have in the past questioned House office staff members, with Walsh's lawyers. Lawyers for Gray have been negotiating arrangements for deposing him, but without an agreement with Walsh.